

VZCZCXRO3004
PP RUEHCHI RUEHFK RUEHHM RUEHKS RUEHNAG RUEHPB RUEHRN
DE RUEHKO #2839 2840822
ZNR UUUUU ZZH
P 100822Z OCT 08
FM AMEMBASSY TOKYO
TO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION PRIORITY
RUEHSS/OECD POSTS COLLECTIVE PRIORITY
RUEHFK/AMCONSUL FUKUOKA PRIORITY 0329
RUEHNAG/AMCONSUL NAGOYA PRIORITY 8402
RUEHNH/AMCONSUL NAHA PRIORITY 2682
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 4074
RUEHKS/AMCONSUL SAPPORO PRIORITY 0902
RUEHC/SECSTATE WASHDC PRIORITY 7876
RUEATRS/TREASURY DEPT WASHDC PRIORITY

UNCLAS TOKYO 002839

SIPDIS

TREASURY I/A FOR DOHNER, WINSHIP, FOSTER
STATE FOR E, EAP/J, EEB/IFD

E.O. 12958: N/A

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SUBJECT: JAPANESE MARKETS FINISH WORST WEEK ON RECORD

11. Summary: The Nikkei 225 index ended the day down 9.62%, losing 881.06 points, registering its lowest close since May 28, 2003. During morning trading, however, the Nikkei shed over 1,040 points, over 11%, the second largest decline in its history. The broader Topix index, which is less heavily weighted towards large exporters, closed down 64.25 points to 840.86, down 7.1%. Both indices had their worst weeks on record, as the Nikkei lost 24% and the Topix lost 20%. While Japan's stock market fell, the yen continued its rise against the Dollar and other major currencies. End Summary.

12. During October 10 trading both the Tokyo Stock Exchange and the Osaka Securities Exchange halted trading in Nikkei 225 Stock Average and Topix futures for 15 minutes, after steep plunges triggered a stop loss on the exchanges. This emergency "circuit breaker" was deployed to prevent a sudden fall in futures prices.

13. Japanese stocks declined across the board, with the most pronounced movement in pharmaceuticals, utilities, and insurance. Driven in part by ongoing drops in U.S. equities, investors were also spooked by the failure of Yamato Life Insurance (septel), and the October 9 bankruptcy protection announcement of real estate investment trust New City Residence Investment Corporation.

14. The yen closed at 98.98/USD, up 1%. The continued rise in the yen, however adds to Japanese business concerns that resulting higher prices for Japanese exports may harm key sectors of the economy. Japan is already trending toward a recession with GDP growth -3.0% in the second quarter on an annualized basis.
SCHIEFFER